

# DETERMINING MATERIALITY

GRI 3-1, 3-2, 3-3

**Materiality assessments are integral in helping us to identify the sustainability issues that matter most to Sunway REIT and its stakeholders. We conduct a materiality assessment once every two years to understand our position, align with industry peers, meet stakeholder needs and address the risks and opportunities of the identified material issues. Assessing our material issues also enables us to engage with our stakeholders and better meet their needs.**

In 2021, we conducted an in-depth materiality assessment to assess the issues that will impact us and our stakeholders going forward. As part of the process, we conducted a focus group discussion with the Senior Management from assets managed and carried out an online survey for both internal and external stakeholders based on 18 identified material issues.

Our materiality assessment was conducted according to the following steps:

## STEP 1

### IDENTIFICATION OF OBJECTIVES AND SCOPE

We identified the objectives and scope of our materiality assessment.

#### STAKEHOLDER GROUPS:

##### Internal



Senior Management of Business Segments



Employees

##### External



Business Partners (Tenants and Lessees)



Investment Community (Unitholders, Analysts, Fund Managers)



Government, Local Authorities, Regulators and Industry Affiliations



Media



Communities (Mall Shoppers and Hotel Guests)



Suppliers and Contractors

## STEP 2

### IDENTIFICATION AND CATEGORISATION OF MATERIAL ISSUES

18 material issues were identified and categorised according to environmental, social and governance.

#### MATERIAL ISSUES:

1. Corporate Governance
2. Anti-Corruption
3. Risk and Crisis Management
4. Tax Transparency
5. Business Ethics
6. Indirect Economic Impact
7. Physical Impacts of Climate Change
8. Resource Management (Energy)
9. Resource Management (Water)
10. Resource Management (Materials)
11. Pollution (Waste/Effluents)
12. Pollution (Emissions)
13. Human Capital Development
14. Diversity and Inclusion
15. Labour Standard and Practices
16. Community Enrichment
17. Health and Safety
18. Customer Welfare

**STEP 3**
**STAKEHOLDER ENGAGEMENT THROUGH AN ONLINE SURVEY**

An online survey was conducted among internal and external stakeholders. In the first part of the survey, the respondents were asked to rate the significance of each material matter. In the subsequent part of the survey, the respondents were asked to provide their opinions on the importance of sustainability to Sunway REIT and on Sunway REIT's efforts in embedding sustainability in its business operations.

On the importance of sustainability to Sunway REIT, the stakeholders felt that sustainability enables the organisation to:

<b>01</b> <b>Enhance risk management</b>	<b>02</b> <b>Promote innovation</b>	<b>03</b> <b>Improve cost optimisation</b>	<b>04</b> <b>Enhance brand value and reputation</b>	<b>05</b> <b>Improve productivity</b>
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As for embedding sustainability in the business operations, in terms of governance, the stakeholders felt that it should continue to monitor its sustainability practices and improve on its ESG disclosures through measures such as training and having an information-sharing platform for the business segments.

In regard to environmental-related issues, the respondents suggested that Sunway REIT undertake environmental and climate change assessments, further advocate sustainability through its diverse business operations, raise awareness among the community and support environmental NGOs. They also suggested that Sunway REIT improve its green technologies and products to meet stakeholders' demands for more green products and services.

As for social-related issues, the stakeholders suggested that Sunway REIT set up a social community committee to address its social impacts such as supporting various NGOs and to also increase community engagement. There were also suggestions to promote awareness on social welfare and to increase the upskilling of employees.

Lastly, the results of the online survey were collated and plotted against the importance to business and to stakeholders in a materiality matrix, where the prioritised issues were shown in the top quadrant. The results were as follows:

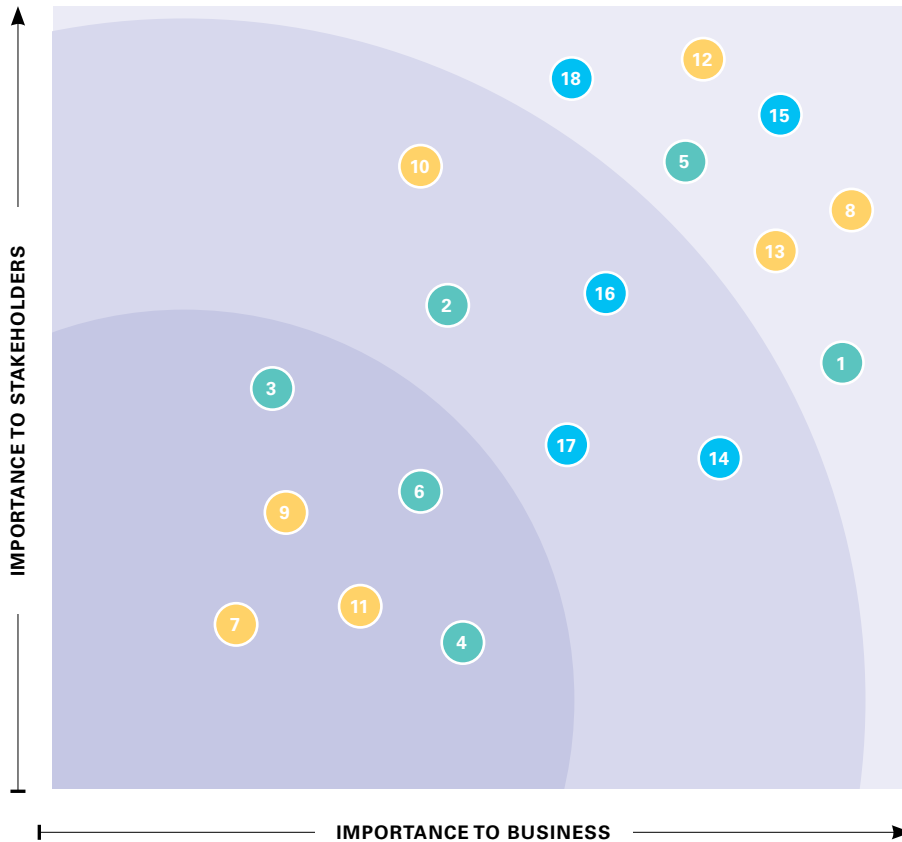
<b>Customer Welfare</b> Customer welfare refers to the individual benefits derived from the consumption of goods and services.	<b>Business Ethics</b> Business ethics prepare companies to take pre-emptive actions on ESG-related matters.
<b>Anti-Corruption</b> Corruption undermines human development, increases inequality and hinders national and local economies.	<b>Health and Safety</b> A safe and healthy workplace keeps workers safe, increases productivity and boosts employee morale.

A focus group discussion was held following the online survey.

**DETERMINING MATERIALITY**

**STEP 4**

**OUR MATERIALITY MATRIX**



**MATERIAL ISSUES**

**ENVIRONMENTAL**

1. Physical Impacts of Climate Change
2. Resource Management (Energy)
3. Resource Management (Water)
4. Resource Management (Materials)
5. Pollution (Waste/Effluents)
6. Pollution (Emissions)

**SOCIAL**

7. Indirect Economic Impact
8. Human Capital Development
9. Diversity and Inclusion
10. Labour Standard and Practices
11. Community Enrichment
12. Health and Safety
13. Customer Welfare

**GOVERNANCE**

14. Corporate Governance
15. Anti-Corruption
16. Risk and Crisis Management
17. Tax Transparency
18. Business Ethics

**FOCUS GROUP DISCUSSION**

At the focus group discussion, which comprised Senior Management from the different business segments, most of the participants opined that Corporate Governance, Business Ethics and Anti-Corruption were the fundamentals of good governance for any foundation, organisation or even a community. They agreed that the practice of good governance would naturally lead to efficient environmental management and social development. They also agreed that poor governance would expose Sunway REIT to various risks such as legal and reputational risks, which would eventually impact the business.

However, they felt that environmental issues such as Pollution (Waste/Effluents) should be prioritised, given the seriousness of the negative impacts of pollution. This material issue reflects Sunway REIT’s commitment to reducing waste to landfill through initiatives such as investing in food composting machines and distributing compost to the local communities to promote a circular economy.

The group also agreed that Human Capital Development should be given priority to ensure a skilled and knowledgeable workforce for the sustainable growth of the organisation.

Overall, they believed that Sunway REIT should continue to embed sustainability in its business management and operations to ensure continuous value creation for the organisation and its stakeholders.

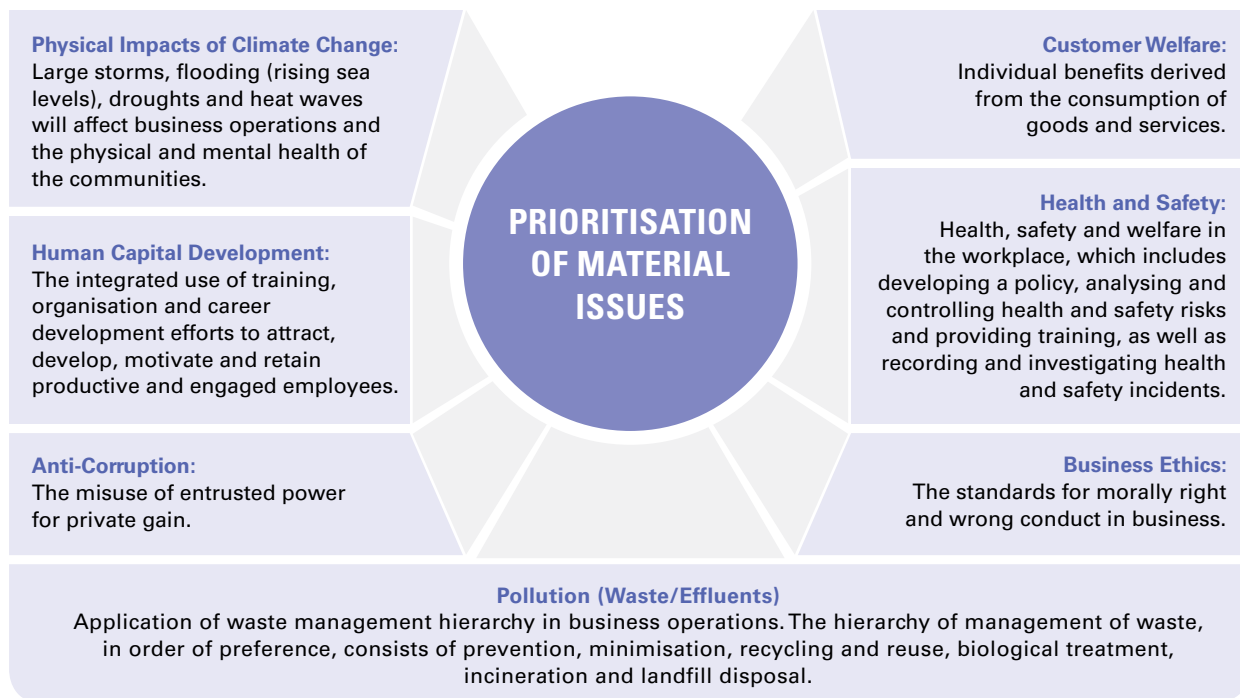
## PRIORITISATION OF MATERIAL ISSUES

As a result of the discussion, the focus group felt strongly that three material issues, Pollution (Waste/Effluents), Human Capital Development and Physical Impacts of Climate Change, needed to be prioritised, resulting in seven prioritised material issues.

Physical impacts of climate change such as increased rainfall intensity and frequency and

flooding are material to Sunway REIT because the damage to its assets is significant. Thus, Sunway REIT takes steps to conduct a Value at Risk\* (VAR) study on its properties to analyse the potential financial implications from these impacts and to take appropriate action to manage its risks.

The seven prioritised material issues stated below reflect Sunway REIT's commitment to sustainability:



Besides the seven prioritised issues, we are committed to the other 11 issues and take into consideration factors such as global megatrends, which will impact our business and stakeholders.

## STEP 5

### ENDORSEMENT

The results of the materiality assessment were approved and endorsed by the Board of Directors.

- \* For more information on Sunway REIT's key risks and Value at Risk analysis, please refer to the following sections and pages:
1. Net Zero Carbon Emissions by 2050 on pages 142 and 143.
  2. Mitigating Our Risks on pages 124 to 131.



For more information on how the Manager engages with its stakeholders, please refer to Corporate Governance Overview Statement - Stakeholder Engagement section.